

Jawahar Shetkari Sahakari Sakhar Karkhana Limited

Instrument	Amount	Rating Action
Long term, Fund based limits – Cash Credit	Rs. 290.00 crore (Enhanced from Rs. 230.00 crore)	[ICRA] BB (Stable) assigned/outstanding
Long term, Fund based limits – Term Loan	Rs. 93.86 crore	[ICRA] BB (Stable) outstanding

ICRA has assigned a long term rating of [ICRA]BB (pronounced ICRA double B) to the Rs. 60.00 crore¹ enhanced line of credit (total rated amount enhanced from Rs. 323.86 crore to Rs. 383.86 crore) of Jawahar Shetkari Sahakari Sakhar Karkhana Limited (“JSK”, “The Company”).² The outlook on the long term rating is stable. ICRA has also outstanding rating of [ICRA]BB (Stable) for Rs. 323.86 crore lines of credit of the company.

The assigned rating favourably factors in the company’s long standing track record of operations along with adequate cane availability over the years owing to presence in the cane rich region. Forwards integrated operations with co-generation unit provide additional source of revenue and partially protect the cyclicity inherent in the sugar industry though the contribution of the co-generation remains limited as compared to sugar revenue and lack of distillery operations restricts the level of forward integration. The company also benefits from higher recovery of sugar due to better quality of cane in the area and cane development initiatives resulting in improved cane quality. The assigned rating also takes into account the Government support in the form of soft loans to repay cane arrears which will benefit the sugar industry. The company has received a soft loan of Rs. 47.38 crore under the scheme and the same will support the liquidity of the company in the near term.

The rating however, is constrained by the weakening of the financial profile of the company as reflected in decline in the operating profitability, losses at net level, modest cash accruals and weak debt coverage indicators on account of relatively high cane costs coupled with subdued domestic sugar realizations resulting in unfavourable contribution margins. The decline in the sugar realizations during Q4 FY15 has resulted in significant inventory write down as on March 2015 which further impacted the profitability in FY15. Given the significant domestic sugar surplus scenario coupled with the declining international sugar prices, the pressure on domestic sugar realizations is likely to continue in the near term; this coupled with lack of rationalization of high cane costs would impact the contribution margins of the company. The rating continues to be constrained by the high regulatory intensity associated with the sugar industry and the vulnerability of the sugar operations to agro climatic risks.

Company Profile

JSK was established in 1990 under The Maharashtra Co-operative Society Act 1960. In 1994, the status of JSK was converted into ‘Multi-State Co-operative Society’ by incorporating a total of ~220 villages in its area of operation – ~80 villages in State of Karnataka and the rest ~140 villages in the State of Maharashtra. The sugar factory of JSK is located in the village Hupari on the southern border of Maharashtra adjoining the State of Karnataka in Kolhapur District. The first sugar season of the company was started in the year 1993-94 with a crushing capacity of 2,500 tonnes crushed per day (TCD) and co-generation unit of 1.5 megawatt (MW). The crushing capacity was subsequently enhanced in stages, with the present installed capacity as on March 31, 2015 at 9,000 TCD and bagasse based co-generation unit of 27 MW.

March 2016

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¹ 1 crore = 100 lakh = 10 million

² For complete rating definition, please refer to ICRA website www.icra.in or any of the ICRA Rating Publications.



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